NEWS RELEASE

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July 31, 2014

Showa Denko Announces Recording of Loss on Valuation of Investment Securities (Extraordinary Loss); Difference between Forecast and Actual Results for 1H; and Revision of Performance Forecast for Full Year

Showa Denko (SDK) (TOKYO: 4004) has recorded loss on valuation of investment securities in the first-half period (January 1 – June 30) of 2014. We accordingly announce that the actual results for the first half reported today are different from the forecast announced on February 13, 2014. Based on that and, taking into consideration the recent business trends, we have revised our performance forecast for full-year 2014.

1. Recording of loss on valuation of investment securities (extraordinary loss)
   We recorded a ¥4 billion loss on valuation of investment securities regarding our shares in C.V.G. Venalum, an aluminum smelting company in Venezuela. Venalum is a state-run aluminum smelter and several Japanese companies, including SDK, hold part of the shares in the company. We recorded the loss in view of the company's deteriorating performance.

2. Difference between forecast and actual consolidated business results for Jan. 1 – June 30, 2014

(Millions of yen, excepting net income per share)

	Net sales	Operating income	Ordinary income	Net income	Net income per share* (¥)
Earlier forecast (A) (Announced on Feb. 13, 2014)	405,000	8,000	5,000	3,000	2.00
Actual results (B) (Announced on July 31, 2014)	413,606	10,542	7,210	-3,433	-2.29
(B) - (A)	8,606	2,542	2,210	-6,433	
Percentage of changes	2.1%	31.8%	44.2%	-	
First half 2013 results	401,409	6,723	5,387	2,158	1.44

3. Reasons for the difference
   Net sales increased due mainly to higher-than-expected sales in the Petrochemicals segment, in which selling prices increased following the rise in naphtha prices. Operating income increased from the earlier forecast due to the improvement in the HD media business (Electronics segment) and steady demand for olefins (Petrochemicals segment), notwithstanding less-than-expected operating income in the Chemicals and Aluminum segments due mainly to the influence of higher raw material costs. Ordinary income increased, reflecting higher operating income. However, the net income figure fell below the earlier forecast, reflecting the above-mentioned recording of loss on valuation of investment securities and the increase in tax expenses.

4. Revised forecast of consolidated business results for Jan. 1 – Dec. 31, 2014

(Millions of yen, excepting net income per share)

	Net sales	Operating income	Ordinary income	Net income	Net income per share* (¥)
Earlier forecast (A) (Announced on Feb. 13, 2014)	890,000	32,000	25,000	12,000	8.02
Revised forecast (B) (Announced on July 31, 2014)	895,000	32,000	26,000	7,000	4.68
(B) - (A)	5,000	0	1,000	-5,000	
Percentage of changes	0.6%	0.0%	4.0%	-41.7%	
2013 results	848,071	25,953	23,488	9,065	6.06

5. Reasons for the revision of full-year consolidated performance forecast

As for the full-year performance forecast, net sales will increase slightly due mainly to higher sales in the Petrochemicals segment recorded in the first half of the year. Although operating income in the first half was actually higher than the earlier forecast, we will maintain the operating income forecast for full year at the initial level. This is mainly because operating income from the Aluminum segment in the second half of the year is expected to fall below the initial forecast due to the influence of the soaring aluminum metal price. Ordinary income is expected to increase slightly. Nevertheless, in the second half of the year, we will not be able to fully offset the fall in net income recorded in the first half. As a result, we have revised downward our net income forecast for the full year.

Note: The above forecast is based on the information available as of today and assumptions as of today regarding risk factors that could affect our future performance. Actual results may differ materially from the forecast due to a variety of risk factors, including, but not limited to, the economic conditions, costs of naphtha and other raw materials, demand for our products, market conditions, and foreign exchange rates.

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